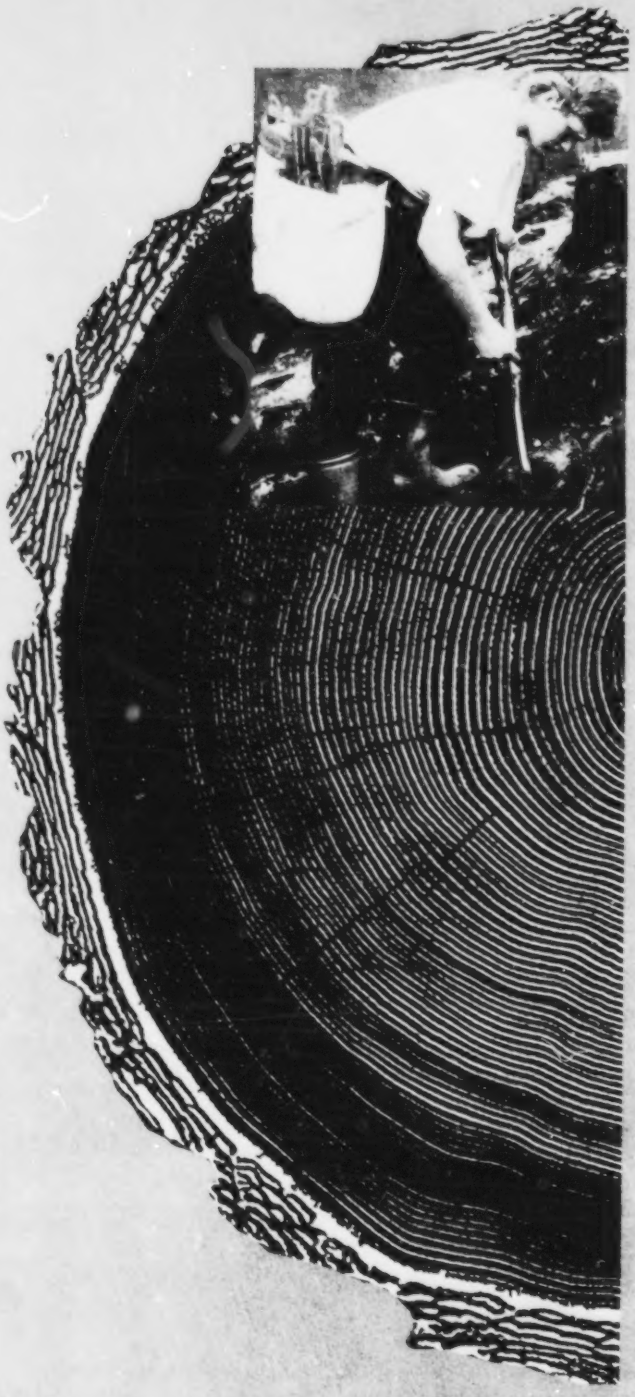
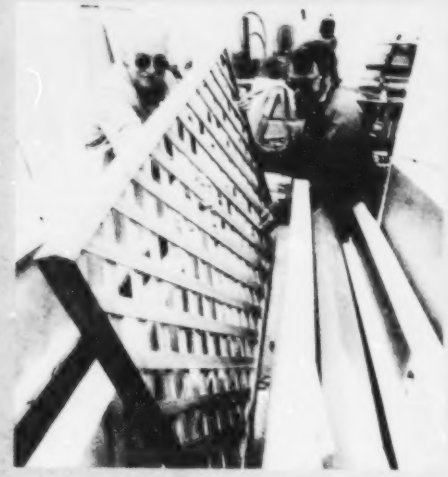


Small Business Forest Enterprise Program

Opportunities for Independent Forestry in British Columbia



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Small Business Forest Enterprise Program

Independent forestry businesses make a significant contribution to the British Columbia economy. The Ministry of Forests has supported this sector for the past two decades, principally through the ***Small Business Forest Enterprise Program*** (the Program). The Program accounts for 13 per cent of British Columbia's allowable annual cut, a volume larger than that of any single licensee.

The Program's timber allocation supports the entrepreneurial spirit of individuals and small forestry operators across the province. Through the Program, timber is made available to market loggers, small sawmill operators, lumber remanufacturers and specialty wood products manufacturers.

These harvesting and timber processing opportunities promote economic activity and investment, thereby supporting existing jobs and generating new employment. Economic opportunities are also available for forestry consultants and contractors in planning, timber cruising, engineering, road construction, silviculture and forest protection.

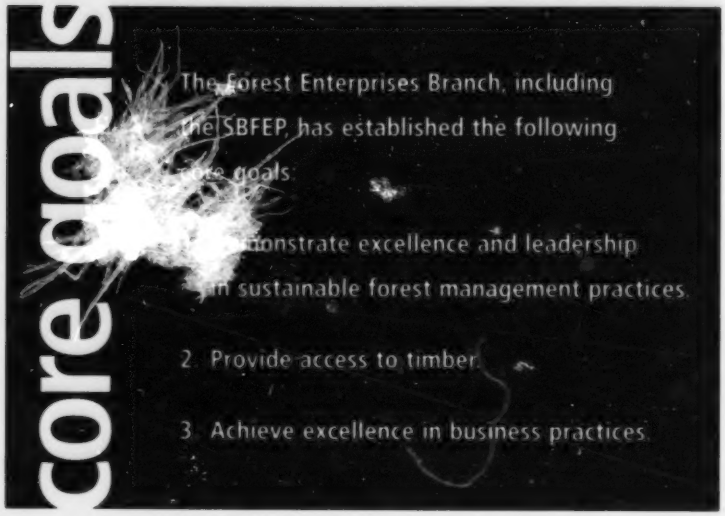
vision

Our vision is to have a respected and effective organization that actively contributes to sustainably managed forests by working in partnership with and promoting viable independent forest enterprises.

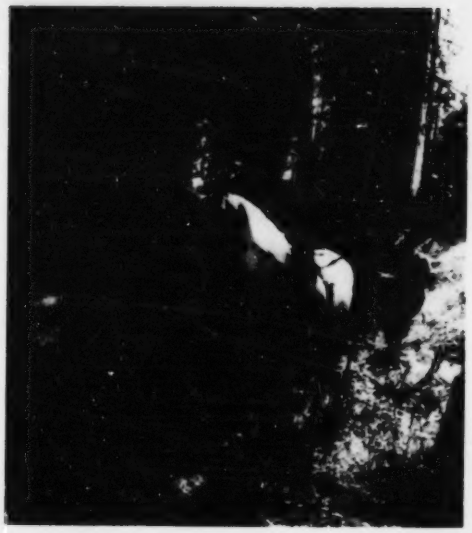
mission

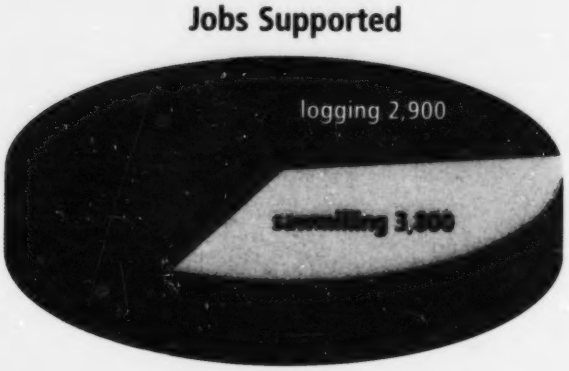
Our mission is to demonstrate excellence and leadership in sustainable forest management and business practices, to provide harvesting opportunities for our clients, and, to deliver economic benefits to communities, workers, industry and the Crown.

The Forest Enterprises Branch is responsible for managing the ministry's small business programs, the Small Scale Salvage Program, log marketing, and nursery and seedling administration. Client service and business activities are provided by staff in Forests regional and district offices as well as the branch located in Victoria.


core goals
The Forest Enterprises Branch, including
the SBFEP, has established the following
core goals:
1. Demonstrate excellence and leadership
in sustainable forest management practices.
2. Provide access to timber.
3. Achieve excellence in business practices.

1. **Excellence and leadership in sustainable forest management practices** will be met by continuously improving and seeking the best forest management practices. This means piloting innovative harvesting, silviculture and marketing regimes, engaging in forest certification projects and supporting all Forest Practices Code standards.





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Certification

Certification is an important sustainable forest management initiative, which demonstrates through third party audits that a company, or in this case the Program, is using good forest management practices. Certification is a voluntary process, which can be used to assure customers that forest products come from well-managed forests. It is primarily an auditing tool that addresses all issues of forest and land use.

2. **The goal of providing access to timber** is accomplished by providing a mixture of tenure arrangements and having a wide variety of qualified program registrants. The Program also aims to sell all available timber annually and utilize different-sized timber sales and non-replaceable forest licences. Through these strategies, the Program stimulates forest sector investment, employment and diversification through the awarding of short-term tenures.
3. **By achieving excellence in business practices,** the Program will provide economic benefits, be responsive to client needs, efficient and accountable.

Categories of Program Registrants

The Program offer a wide range of tenures and contracts to independent forestry operators, both individuals and companies. Timber access is principally through competitive processes that result in the highest productive use of this important public resource. The competitive processes are designed to maximize the use of the timber harvested, provide business opportunities and employment, and generate revenue for the Crown.

About half the Program's timber allocation is awarded primarily to registrants who are loggers and to a smaller number of small sawmill operators, with revenue generation being the core award criterion. Much of the remainder of the Program's volume is awarded to registrants who are value-added manufacturers, on the basis of a proposal that balances employment, social and financial objectives. A small portion the Program's volume is awarded directly to address specific forest management and social needs.

The Program awards more than 1,600 separate harvesting agreements annually across the province. These agreements fall into different categories of sales and types of registrants:

- **Category one**—market loggers are registrants in this category.
- **Category two**—sawmill owners, value-added processors and remanufacturers are registrants in this category.
- **Category three**—registrants who do not have a mill or processing facility, but commit to building one upon award of the tenure.

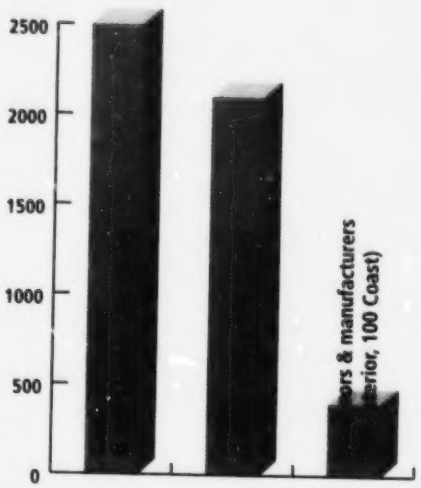
The requirements for **registering** in the program are in the Small Business Forest Enterprise Regulation. The program is open to individuals 19 years of age or older, and to corporations in British Columbia that do not hold a major licence(s) with an allowable annual cut over 10,000 cubic metres. Registration costs $250.00 for a two-year period. Once registered in the program, registrants can bid on timber anywhere in the province.

Number and type of program registrants:

2,500 independent corporations and individuals are registered

2,100 category one (loggers) (interior 1,600 and 500 coast)

400 category two (wood processors and manufacturers) (300 interior and 100 coast)



Harvesting Opportunities

A combination of competitive process, tenure agreements and registration categories are used to provide a variety of harvesting opportunities to Program registrants. The following matrix provides an overview of what is commonly available through the Program.

Logger Opportunities

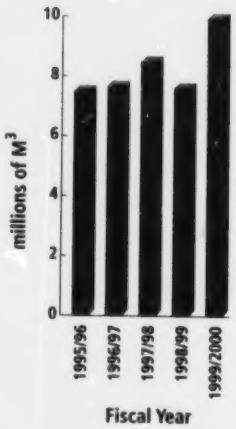
	Standing timber Special forest products Salvage timber	Standing timber*	Special forest products Salvage timber
	Short term (1-2 years) Site ready to log Ministry establishes new forest	Long term (2-5 years) Extensive planning and access may be required Ministry establishes new forest	Short term (1-6 months) May have to complete some access Ministry establishes new forest
	Bonus Bid Timber Sale Licence	Bid Proposal Timber Sale Licence	Direct Award Timber Sale Licence
	The highest bonus bid wins	The best proposal on what you plan to do wins	Talk with the nearest forest district office staff

Processor Opportunities

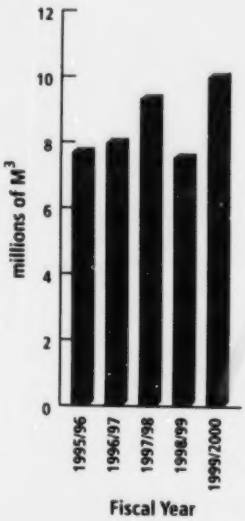
	Lumber Special forest products Shakes or shingles	Value-added products Lumber for B.C. remanufacturers Shakes or shingles	Special forest products
	Short term (1-2 years) Site ready to log Minister establishes new forest	Long term (up to 10 years) Extensive planning and access may be required May have to establish new forest	Short term (up to 6 months) May have to complete some access Ministry establishes new forest
	Bonus Bid Timber Sale Licence	Bid Proposal Timber Sale Licence or Non-replaceable Forest Licence	Direct Award Timber Sale Licence
	The highest bid wins	The best proposal on what you plan to do wins	Talk with the nearest forest district office staff

**These are uncommon licence types. For more details, contact the nearest Forest District office.*

SBFEP Scaled Volumes



SBFEP Billed Harvest Volumes



Sales and Competitive Processes

Section 20:

Also referred to as *bonus bid*, these sales are awarded on the basis of highest offer to generate revenue. Sales are made available to category one (market loggers) and category two (small primary sawmills) program registrants. In terms of operational size, these cover a wide range from horse loggers, to skidder operators, and helicopter loggers. Applicants submit a sealed tender bid, including an offer to pay a bonus amount above a base price or upset rate, on each cubic metre harvested according to the licence agreement. The sale is awarded to the applicant with the highest bid. The Forests District Manager awards these sales after tenders are opened.

Section 21:

Also referred to as *bid proposals* and they go to firms who plan to maintain, expand or build a value-added facility. Participants in these sales must own or lease a timber processing facility (category two registrants) or commit to building or leasing one, if awarded the tenure (category three registrants). Applicants indicate in a sealed tender and written proposal how they will deliver a combination of revenue and social benefits. After a detailed verification review of the submission facts, the award goes to the applicant whose proposal best meets the criteria for employment, capital investment, adding value and revenue to the Crown. These sales support a wide range of activities:

re-manufacturing and secondary manufacturing of wood products such as pallets, window frames and doors, mouldings, furniture and other specialized items. The Forests Regional Manager and Minister of Forests award these sales

Section 13 (1.1):

Also referred to as *non-replaceable forest licences* and are primarily offered to category two and three registrants and are focused on value added. They are awarded on the basis of a proposal that responds to a set of broad criteria that include government development objectives. For these sales, the licensee is responsible for planning, access development and silviculture. These forest management responsibilities exceed those of other Program timber sales. The Minister of Forests awards these sales.

Section 23:

Referred to as *direct award* sales, a limited number of small-volume timber sales go directly to eligible applicants. Most of these sales involve salvage of damaged timber and special forest products such as shake blocks and fence posts. The Forests District Manager awards these sales.

Types of Licences

The Program uses three types of licences for timber harvesting:

- **Timber Sale Licence** — Timber sale licences grant licensees the right to harvest timber in a specific area. The normal term is two or three years, but some can last up to 10 years. The Ministry of Forests does all the planning, timber cruising and field layout work before the licence is awarded and all the work necessary to establish a new forest after harvesting. In certain instances, usually involving small amounts of work, the licensee is responsible for some road building to access the harvesting area.
- **Non-replaceable Forest Licence** — These licences authorize licensees to harvest a specific annual amount of timber within a large area known as a management unit. Terms are usually 10 years, but some can last up to 20 years. Harvesting is authorized by cutting permit. Licensees are responsible for planning, field measurements, road development and all work necessary to establish a new forest. There may be opportunities to share road networks with other licensees operating in the area, including program licensees.
- **Partially Developed Timber Sale Licence** — Partially developed timber sale licences combine features of timber sale and non-replaceable forest licences. The Program generally completes planning and development over a portion of the timber in the sale. Licensees are required to complete their own plans, field measurements and road construction, along with silvicultural prescription on the undeveloped portion of the sale. The Ministry of Forests is responsible for establishing a new forest.

Small Scale Salvage

The Small Scale Salvage Program, added to the Small Business Forest Enterprise Program in 1998, has been designed to increase the volume of sales, timber and opportunities available to salvage operators. The salvage program has an annual business target of 400,000 cubic metres. This volume is part of the provincial AAC and counts toward the overall Program allocation of 9.5 million cubic metres.

objectives

The Small Scale Salvage Program has the following objectives:

- Provide opportunities to utilize imperilled timber that is available for harvest.
- Provide business and employment opportunities for small forest operators.
- Enhance resource stewardship.

Salvage timber includes trees that are wind thrown, beetle-killed, damaged by fire, water salvage, or timber that is dead and down due to biological or human factors. Small and often scattered volumes of such timber are available for harvest through the Program. Each forest district has an annual volume target for salvage and the associated opportunities vary widely from relatively high value timber killed by beetle infestation to lower quality timber scattered over an area previously harvested. Staff in forest district offices assist salvage operators in identifying opportunities. Performance against targets is reviewed for each forest district on a quarterly basis to ensure that opportunities are being provided.

Most salvage volume is made available to category one registrants. Volumes of 50 cubic metres or less may be awarded to persons not registered in the program.

Market Pricing

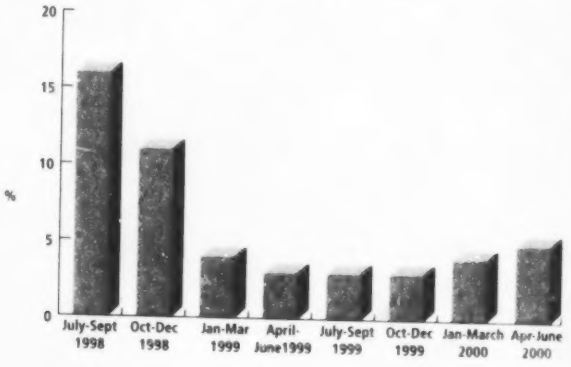
In January 1999, the Ministry of Forests introduced a new market pricing system for timber sold through the Program. This system was developed through extensive consultation with sector representatives and was designed to improve the responsiveness of the timber pricing mechanism to more closely reflect current market conditions. The objective is to have a responsive system, which prices timber at a level that provides registrants with access and allows them to conduct a successful business.

The system works in three basic steps:

- The initial step involves forecasting an estimate of the market price of the timber using a formula that is based on past bidding results on similar sales. The formula includes factors such as the nature and quality of the timber, characteristics of the logging site, operational conditions and current market prices for logs or lumber.
- The next step sets the *upset rate*—lowest price acceptable for the value of the timber—at 70 per cent of the market price. Adjusting the upset rate lower than the estimated market price ensures there is sufficient room for competitive bidding to establish the current market value of the timber.
- The final step involves allowing competitive bidding, by sealed tender, to establish the final market price. Under this approach, the latest market information is used to set the final market price.

With the introduction of the market pricing system, the volume receiving a bid has increased significantly from around 86 per cent on average in 1998 to about 97 per cent throughout most of 1999 and into 2000. Sales remain strong, with the percentage of refused sales staying low. A strong harvest response has resulted in section 21 or bid proposal sales being near their highest ever level.

Refused Sales



Learning More

Contact Enquiry BC, the provincial government's information referral service, for Ministry of Forests Small Business Forest Enterprise Program representatives:

Victoria:
(250) 387-6121

Vancouver area:
(604) 660-2421

Other areas in B.C.:
1-800-663-7867 (toll free)

For additional information, visit the Forest Enterprise Branch website at:
http://www.for.gov.bc.ca/hfe/

Individuals or corporations interested in the opportunities offered through the Program and wanting more information can:

- Visit the nearest forest district office to talk with local staff.
- Attend ministry of forests open houses at district offices, where forest development plans and schedules for timber sales are displayed.
- Contact a B.C. forest industry association, which collaborate with the ministry to ensure the Program meets a broad range of small business interests.

Timber sales are advertised in local newspapers and in the B.C. Gazette. This information is also available at district offices and from government agents at provincial Access Centres. Advertisements are posted on the Internet: ***http://www.qp.gov.bc.ca/cft/***

These advertisements provide information on the location of the sale, the timber volume, species mix, applicable section of the Forest Act for the sale, logging system, registrant categories, any special conditions, and the closing date, time and location. Bidding applications forms can be obtained from the district office identified in the advertisement.

Eligible bidders are encouraged to view the licence area and to become familiar with operating conditions before submitting an application.

District offices administer service contracts for planning, timber cruising, preparing silviculture prescriptions, surveying, road construction, and marking boundaries for timber sales and selling timber.

In addition to obtaining information through district offices, interested individuals and corporations can contact Ministry of Forests regional or Victoria offices. Each regional office has a small number of staff that provide quality assurance, advice to applicants, and evaluates some timber sale applications. Budget planning, analysis and reporting on program performance, and recommending changes in legislation, policy and/or procedures are the responsibility of the Forest Enterprises Branch in Victoria.

Regional Boundaries
District Boundaries
Regional & District Offices
Regional Office
District Office
District Sub Office
Dease Lake
Fort Nelson
Fort St. John
Dawson Creek
Hazelton
Mackenzie
Terrace
Smithers
Fort St. James
Houston
Burns Lake
Prince Rupert
Queen Charlotte City
Vanderhoof
Prince George
McBride
Quesnel
Hagensborg
Alexis Creek
Horsefly
Williams Lake
Clearwater
100 Mile House
Golden
Port McNeill
Lillooet
Revelstoke
Salmon Arm
Kamloops
Campbell River
Powell River
Invermere
Merritt
Vernon
Penticton
Castlegar
Nelson
Cranbrook
Port Alberni
Rosedale
Nanaimo
Grand Forks
Duncan
Scale
1:8000000 (approx.)
50 0 50 100 150 200 kilometres
Revised January 20, 1999